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 Moore Holdings, LLC

UNITED STATES BANKRUPTCY COURT  
 EASTERN DISTRICT OF CALIFORNIA  
 SACRAMENTO DIVISION

In re:

MOORE HOLDINGS, LLC,  
  
 Debtor in Possession.

Chapter 11 Case No. 25-20053

DCN: UST-1

**OPPOSITION OF MOTION OF THE  
 UNITED STATES TRUSTEE,  
 PURSUANT TO 11 U.S.C. § 1112(b) AND  
 FEDERAL RULES OF BANKRUPTCY  
 PROCEDURE 1017(f) AND 9014, TO  
 CONVERT OR DISMISS CHAPTER 11  
 CASE**

Date: March 27, 2025  
 Time: 10:30 AM  
 Dept: E, Courtroom 33, 6<sup>th</sup> Floor

Hon. Judge Ronald H. Sargis

**OPPOSITION OF MOTION OF THE UNITED STATES TRUSTEE, PURSUANT TO 11  
 U.S.C. § 1112(b) AND FEDERAL RULES OF BANKRUPTCY PROCEDURE 1017(f) AND  
 9014, TO CONVERT OR DISMISS CHAPTER 11 CASE**

Moore Holdings, LLC, as Debtor in Possession (“Debtor”), respectfully submits this  
 Opposition to the Motion of the United States Trustee (“UST”) to convert or dismiss this Chapter  
 11 case.

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2. The best interests of creditors and the estate are served by allowing Debtor to continue under Chapter 11 reorganization rather than dismissal or immediate liquidation under Chapter 7. Because any deficiencies have been cured, and because the estate and its creditors benefit from Debtor's reorganization efforts, dismissal or conversion would be premature and contrary to the best interests of all parties in interest. Accordingly, the Motion should be denied.

3. Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code on January 7, 2025, as an emergency basis to prevent its real property (“Real Property”) located at 2151 Professional Drive, Roseville, CA from foreclosure and to stabilize operations, restructure debts, and achieve a viable reorganization plan. Moore Decl. ¶ 3.

4.  $///$   
 $///$

1        5. A drastic rise in Debtor's mortgage interest rate, SBA 7(a) mortgage interest rate, increased  
2 from 3% to 10.5% in 2024, significantly raising monthly loan obligations from \$12,000 to \$20,000.  
3 Moore Decl. ¶ 4.

4        6. When the loan payment was \$12,000 a month with 50% of the building leased Debtor was  
5 able to make the monthly loan payments. Additionally, tenant occupancy declined in 2024 due to  
6 economic downturns, reducing cash flow and impairing Debtor's ability to pay the mortgage. (*Id.*)

7        7. Current occupancy is at 40%, but Debtor's 6-month budget plan aims to lease vacant units  
8 and restore cash flow. For example, Debtor will execute a new agreement with a new tenant for  
9 suite 104 this month, which is reflected in the amended 6-month budget plan. Moore Decl. ¶ 6;  
10 Exh. A.

11        8. Debtor is actively working on finding more tenants for available units and in negotiations  
12 with potential tenants, expecting an increase in occupancy withing the 6 months as it is shown in  
13 the 6-months budget plan. At one-hundred percent occupancy of the building at current market  
14 rate it would approximately generate \$33,516.84 per month, which would create a positive cash  
15 and allow Debtor to make the current loan and property tax payments. Additionally, a payment  
16 plan was negotiated with InnerScope Hearing Technologies, a tenant that owes more than  
17 \$500,000 in rent arrears, to recover outstanding rents. The payment arrangement on this  
18 delinquency will bolster Debtor's cash flow, further supporting the feasibility of reorganization.  
19 Moore Decl. ¶¶ 7, 8.

20        9. Debtor's goal is to confirm a plan of reorganization that will pay all creditors in full while  
21 preserving the value of the Real Property. Maintaining tenancy also allows existing businesses on  
22 the Real Property to continue operating without disruption. Moore Decl. ¶ 8.

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1 10. Debtor believed to be in substantial compliance with the United States Trustee's Chapter  
2 11 guidelines and upon receipt of the motion to dismiss addressing certain deficiencies has taken  
3 steps to become in compliance. Moore Decl. ¶ 9.

4 11. The Trustee's motion is based upon the Debtor failing to meet certain compliance  
5 requirements regarding insurance. As soon as Debtor became aware of this deficiency, it took  
6 proactive steps to obtain non-force placed insurance covering both casualty and liability, despite  
7 the unusual challenges posed by the current California insurance market. Debtor promptly  
8 provided proof of this improved coverage to the UST on March 13, 2025, with Policy No.:  
9 CPV0086147. The insurance carrier is currently in the process of adding the UST to the policy for  
10 notices purposes. Moore Decl. ¶ 10, Exh. B.

11 12. The delay in obtaining the non-force placed insurance resulted from unusual  
12 circumstances, which has caused an insurance crises in California resulting from extensive fires.  
13 Nevertheless, Debtor showed its good intention and full commitment, communicated continuously  
14 with the UST in IDI interview, and 341 meetings about this delay and ultimately secured compliant  
15 coverage that protects both the estate and the public. Debtor remains fully committed to comply  
16 with all rules of bankruptcy, cooperate with UST, the Court and Creditors to reorganize. Moore  
17 Decl. ¶ 11,12.

18 13. Since Debtor filed only two months ago, dismissing or converting this case at such an early  
19 stage would be premature. Debtor has demonstrated meaningful equity in the Real Property, holds  
20 minimal unsecured obligations, and has resolved the core issue of adequate insurance. By allowing  
21 Debtor additional time to reorganize will enable Debtor to lease the remaining vacancies, collect  
22 outstanding rents, and propose a plan paying creditors in full, resulting in a maximization value  
23 for creditors compared to forced liquidation. Moore Decl. ¶ 14.

1 14. Having remedied any past insurance deficiency and maintaining ongoing compliance  
2 efforts, Debtor is prepared to proceed with a Chapter 11 plan that offers the best outcome for  
3 creditors and the estate.

### 4 III. LEGAL STANDARD

5 15. UST bears the burden of demonstrating by a preponderance of the evidence that “cause”  
6 exists to convert or dismiss this Chapter 11 case. See *In re Sullivan*, 522 B.R. 604, 614 (B.A.P. 9th  
7 Cir. 2014). Under 11 U.S.C. § 1112(b)(1), the Court must then evaluate whether dismissal or  
8 conversion would be in the best interests of creditors and the estate.

9 16. Furthermore, even if “cause” is established, 11 U.S.C. § 1112(b)(2) prohibits dismissal or  
10 conversion if the Court finds (1) unusual circumstances exist demonstrating such relief is not in  
11 the best interests of creditors and the estate, (2) there is a reasonable likelihood that a plan will be  
12 confirmed within the timeframes established, and (3) and there exists a reasonable justification for  
13 the act or omission; and it will be cured within a reasonable period of time fixed by the court. Here,  
14 the UST has not established “cause” to convert or dismiss, and, in any event, the circumstances of  
15 this case squarely weigh in favor of denying the Motion.

### 16 IV. LEGAL ARGUMENT

#### 17 A. No Cause Exists Under 11 U.S.C. § 1112(b)(4)(C) and (H)

18 17. Section 1112(b) enumerates various non-exclusive grounds for dismissal or conversion,  
19 but courts “should consider other factors as they arise, and use [their] equitable powers to reach  
20 the appropriate result.” *In re Consolidated Pioneer Mortgage Entities*, 248 B.R. 368, 375 (B.A.P.  
21 9th Cir. 2000) aff’d, 264 F.3d 803 (9th Cir. 2001).

22 18. The UST’s Motion relies on 11 U.S.C. § 1112(b)(4)(C), which defines “cause” to include  
23 a debtor’s “failure to maintain appropriate insurance” if it “poses a risk to the estate or to the  
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1 public.” Debtor acknowledges that its initial coverage was force-placed by its lender, did not  
2 clearly include landlord liability insurance, and fell below the Real Property’s appraised value.  
3 However, Debtor has now secured a suitable non-force placed policy that provides both casualty  
4 and liability coverage in an amount that aligns with the scheduled \$3,500,000 value of the Real  
5 Property. Debtor promptly produced proof of this insurance to the UST, thus eliminating any risk  
6 or deficiency that might have arisen from force-placed coverage. Moore Decl. ¶ 10; Exh B.

7 19. Since Debtor has rectified the insurance issue, there is no continuing failure to meet the  
8 requirements of § 1112(b)(4)(C). Consequently, the UST’s basis for alleging cause under this  
9 provision no longer applies.

10 20. Likewise, 11 U.S.C. § 1112(b)(4)(H) references a debtor’s failure to timely provide  
11 “information ... reasonably requested by the United States trustee.” Debtor has substantially  
12 complied with all requests. Moore Decl. ¶ 10. Specifically, Debtor provided evidence of adequate  
13 non-force placed insurance; filed amended schedules A/B and G on February 28, 2025; appeared  
14 at the continued § 341(a) meeting on March 4, 2025, to address any remaining issues; continues  
15 working to finalize other amendments and respond to any further UST concerns. Consequently,  
16 there is not failure under § 1112(b)(4)(H).

17 **B. Even if Cause Existed, 11 U.S.C. § 1112(b)(2) Prevents Conversion or Dismissal**  
18 **Because Unusual Circumstances, a Viable Reorganization and Cure Are Present**

19 21. Debtor’s real property is valued at approximately \$3.5 million versus \$2 million in secured  
20 debt, leaving significant equity. Debtor filed this case only two months ago and has acted diligently  
21 to fix any administrative oversights. Moreover, Debtor’s rent collection efforts and pursuit of new  
22 tenants present a high likelihood of achieving the occupancy and cash flow needed for a successful  
23 plan. Moore Decl. ¶¶ 3-8. Converting or dismissing this early would inhibit the full realization of  
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1 equity and undermine the best interests of creditors poised to receive greater payment through a  
2 reorganization rather than a forced liquidation or foreclosure.

3 22. Debtor has prepared a six-month budget showing how, upon re-leasing vacant units,  
4 monthly rental income could meet or exceed its debt obligations and operating costs. Additionally,  
5 recovering over \$500,000 from a tenant in arrears further strengthens Debtor's cash flow. Debtor  
6 has a concrete foundation to propose a viable plan of reorganization, signifying a strong likelihood  
7 that confirmation can be achieved in a reasonable period. Exh. A.

8 23. The only alleged acts or omissions, failing to maintain non-force placed insurance and  
9 promptly providing certain documents, have been addressed. Now that any deficiency has been  
10 cured or will be completed imminently, there is no basis for dismissal or conversion under 11  
11 U.S.C. § 1112(b)(4)(C) or (H).

12 **C. Conversion or Dismissal Is Contrary to the Best Interests of Creditors and the Estate**

13 24. Finally, if the court finds cause, it must consider "whether dismissal or conversion is in the  
14 best interests of creditors and the estate." *In re Rand*, 2010 WL 6259960, at \*10 & n.14 (B.A.P.  
15 9th Cir. Dec. 7, 2010). Here, dismissal or conversion would jeopardize the substantial equity in  
16 the Real Property and prematurely terminate Debtor's efforts to restore occupancy, collect  
17 outstanding rents, and pay creditors in full. Because Debtor has demonstrated prompt compliance  
18 and the capacity to reorganize successfully, liquidation under Chapter 7 or dismissal of the case  
19 would diminish recoveries, harm creditors, and needlessly disrupt the businesses occupying the  
20 Real Property.

21 25. This case is still in its early stages, and Debtor has done precisely what the Bankruptcy  
22 Code requires: cure identified deficiencies, remain transparent with the UST, and move forward  
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toward a plan that will protect creditors’ interests. Permitting Debtor to remain in Chapter 11 provides the greatest prospect for maximizing the estate’s value.

### V. CONCLUSION

For the reasons set forth above, Moore Holdings, LLC respectfully requests that this Court deny the Motion in its entirety.

Respectfully submitted March 13, 2025.

/s/ Stephan M. Brown

Stephan M. Brown  
Proposed Attorney for Moore Holdings, LLC  
the Debtor in Possession